

The African Development Bank Group Chief Economist Complex



Market Brief

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1. Market Commentary

1.1 Stock Markets

During the week of 30 August–3 September 2010, global equity markets advanced as fears over a double-dip recession eased. African stock markets, however, showed mixed performance, with the highest gains of 4.5% and 2% recorded in the stock markets of South Africa and Tunisia, respectively. Moderate gains of 0.8% and 0.5% were recorded in the markets of Egypt and Côte d'Ivoire, respectively. The markets in Mauritius, Kenya and Ghana posted substantial losses of 1.9%, 1.6% and 1.5%, respectively. The overall stock prices of Nigeria were virtually unchanged.

Equity Focus

Mauritius: The SEMDEX Index declined by 1.9% over the week. In particular, the prices of tourism stocks fell sharply as investors speculated over weak upcoming earnings results due to the adverse impacts of the Euro-zone crisis.

Kenya: The NSE 20 Index fell by 1.6% during the week due to profit-taking, after rising to a near 2-year high in the first week of August. The market was also weighed down by a fall in the share price of Safaricom, Kenya's largest telecoms

firm, caused by the stiff competition in the telecom sector.

South Africa: The JALSH Index rose by 4.5% over the week, recording its first weekly gain after 5 consecutive weeks of losses. The market tracked the movements of global equities, on the back of a stronger than expected labour market report that bolstered optimism in the U.S. and global economies.

1.2 Commodity Markets

Crude Oil (Brent): The price of crude oil fell by 0.8% over the week to USD 74.6 a barrel on concern over Europe's sovereign-debt problems. The decline also reflected the increase in the U.S. petroleum stockpiles from 0.4 to 1.14 billion barrels, the highest level since 1990.

Cotton: The cotton price has increased by 2.2% over the week, reaching a 15-year high due to supply constraints and sustained demand for clothing products.

Copper: The price of copper rose 3.9% during the week, reflecting buoyant growth in China and general supply constraints. Copper output from the top four producing companies dropped by about 12% in the first quarter of 2010.

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“Angolan authorities cut gasoline and diesel subsidies as a prelude to liberalizing the country's downstream oil sector ...”

“In Ghana, : Fifteen Rural and Community Banks (RCBs) out of the current 136 RCBs in Ghana are to be liquidated ...”

1.3 Exchange Rates

The majority of African currencies rallied against the US dollar, following the Euro which appreciated against the US dollar reflecting simmering worries about an economic slowdown in the world. During the week under review, twenty four African currencies depreciated against the US dollar in the inter-bank foreign exchange markets. The Madagascar Ariary recorded the largest appreciation of 6.9%, followed by the Cape Verde Escudo (1.8%). The CFA Franc also posted a moderate appreciation of 1% vis-à-vis the US dollar. In contrast, seven African currencies weakened against the US dollar. The largest depreciation of 4.5% was recorded by the Guinea Franc, followed by DRC's Congolese Franc (1.6%). The currency value of the Liberian dollar remained unchanged.

2. Regional Developments

Africa: According to the World Trade Organization (WTO), the value of merchandise exports of nine African countries – Algeria, Egypt, Kenya, Mauritius, Morocco, Nigeria, South Africa, Tanzania, Tunisia – increased by 29 percent, while merchandise imports increased by 18 percent on average year-on-year in the second quarter of 2010. With the growth of world merchandise exports and imports at 26% and 25%, respectively, demand for African exports is expected to be sustained.

3. Countries in Focus

Angola: Angolan authorities cut gasoline and diesel subsidies as a prelude to liberalization of the country's downstream oil sector, triggering a rise of gasoline price by 50% and diesel by 38%.

Botswana: Based on a stronger

performance by the minerals sector - particularly diamonds - the International Monetary Fund (IMF) has reduced its forecast for Botswana's budget deficit this year from 12.2% to 6.4%.

The Gambia: The Central Bank of the Gambia forecast the country's economic growth to slow to 5% in 2010 from 5.6% in 2009. The bank predicted that despite the negative effects of the global economic crisis on the services sector, manufacturing, wholesale and retail trade and agricultural value-added remained strong.

Ghana: An audit report by the Bank of Ghana has indicated that fifteen Rural and Community Banks (RCBs) out of the current 136 RCBs in Ghana are to be liquidated. The central bank explained that the objective of the liquidation is to reduce risk in the financial sector.

Mauritius: The Government reported that the country needed to raise some 225 billion rupees over the next 10 years to finance its public infrastructure development. However, there are fears that banks could be reluctant to lend the money in the wake of the Euro zone crisis. In this context, the Government intends to foster the development of a secondary debt market in order to spread business risk more widely and reduce the dependence on banks.

Morocco: The number of tourists arriving in Morocco in July rose by 10% on a year-to-year basis and 4% compared to June. In the seven months to July, 5.6 million visitors came to Morocco, with British tourist arrivals contributing for most of the growth followed by Italian and Spanish tourists. Tourism is the second largest foreign currency earner for Morocco after remittances, accounting for 9% of its Gross Domestic Product.

“In Morocco, the number of tourists arriving in July rose 10 percent from a year earlier and 4% compared to June.”

“Sudan plans to delay the sale of \$300 million of Islamic bonds until next year as it waits for global markets to recover from the economic crisis....”

Nigeria: Nigeria hopes to launch a \$500 million global bond with a 10-year maturity by the end of November and has selected a consortium of international and local legal and financial advisers.

The Nigerian financial sector is showing signs of recovery following last year's intervention by the Central Bank of Nigeria. While lending to the private sector is picking up, the World Bank has criticized the funding of the Small and Medium Enterprises (SMEs) as too generous, arguing that the 80% risk guarantee by the CBN should be split 50-50 with the commercial banks.

Rwanda: The government plans to have a new airport by 2014 and has set aside \$98 million as capital for its national airline over the next three years with a view to selling it off once it breaks even.

Sudan: The country plans to delay the sale of \$300 million of Islamic bonds until next year as it waits for global markets to recover from the economic crisis. Sudan is seeking buyers for the bonds in the Persian Gulf region, because U.S. economic sanctions have denied the country access to other international markets.

Uganda: Uganda has invited international bids for the Karuma falls hydropower project expected to produce up to 700 megawatts (MW) and estimated to cost about \$900 million. The project was delayed after a European contractor pulled out.

4. Development Partnerships

EC-Africa: The European Commission approved the first financing in favor of Burkina Faso (EUR 14 million) under the EUR 264 million 2010 allocation for the Vulnerability FLEX mechanism. It is a short-term instrument which provides EUR 500 million over two years (2009-2010) to help the most vulnerable African, Caribbean, and Pacific (ACP) countries cope with the impact of the global financial crisis

and economic downturn.

Zambia-China: Construction of Zambia's Kafue George Lower hydroelectric power plant is expected to begin in April 2011, based on an agreement between China and Zambia for the 1.5 billion dollar, 750 megawatt power scheme. It will ease but does not eliminate Zambia's medium-term power needs -- driven in large part by a revived mining sector.

Zimbabwe-AFREXIM Bank: The African Export Import Bank (AFREXIM Bank) announced a US\$100 million credit facility for Zimbabwe, to be used mainly by companies involved in export trade and manufacturing. The facility will facilitate access by industry to reasonably priced financing and thus help alleviate long-term financing constraints within the economy.

5. Summary

During the week under review, African stock markets showed mixed performance despite rallies in the major global stock markets and some commodity markets. Noteworthy developments in the financial sector include Nigeria's planned launch of a \$500 million global bond and Ghana's restructuring of the Rural and Community Banks. Meanwhile, the negative impacts of the global financial crisis persist, as illustrated by slowing growth (e.g., the Gambia) and delays in the implementation of long-term development projects (e.g., Uganda).

Appendix Table 1: Stock market movements – Week ending on 3 September, 2010

Stock Markets				
Region/Country	Index Name	Weekly % change (03-09-2010)		Year-to-date % Change
		Week under review	Previous week	Dec 31 - Sep 03
Côte d'Ivoire	BRVM Composite Index	▲ 0.54	▲ 2.61	▲ 17.4
Egypt*	CASE 30 Index	▲ 0.80	▲ 1.34	▲ 5.1
Ghana	Ghana All Share	▼ -1.47	▲ 1.72	▲ 19.6
Kenya	Nairobi SE Index- NSE 20	▼ -1.59	▼ -1.90	▲ 36.6
Mauritius	Mauritius AllShares	▼ -1.91	▲ 0.07	▲ 2.2
Morocco	Casa All Share Index	▼ -0.54	▲ 2.31	▲ 12.0
Nigeria	NGSE All Share Index	▼ -0.03	▼ -3.26	▲ 16.6
South Africa	All Share Index	▲ 4.50	▼ -0.93	▲ 1.0
Tunisia	Tunis se Tnse Index STK	▲ 1.95	▲ 1.06	▲ 26.0
Uganda*	Uganda SE All Share inde	▼ -0.24	▲ 1.61	▲ 45.0
Others				
USA	Dow Jones Industrial	▲ 2.93	▼ -0.62	▲ 0.2
France	CAC 40 Index	▲ 4.70	▼ -0.53	▼ -6.7
Japan	Nikkei 225 Index	▲ 1.37	▼ -2.05	▼ -13.6

* Value at end of 2 September, 2010

Appendix Table 2: Exchange rate movements – Week ending on 3 September, 2010

Exchange Rates (currency per US\$)								
Region/Country	Currency Name	Currency Code	Weekly % change (03-09-2010)		Year-to-date % Change			
			Week under review	Previous week	Dec 31 -Sep 03			
Africa								
Algeria	Algerian Dinar	DZD	▲	0.99	▼	-1.00	▼	-3.0
Angola	New Kwanza	AON	▲	1.13	▲	1.39	▼	-1.0
Botswana	Pula	BWP	▲	0.67	▼	-0.79	▼	-1.9
Burundi	Burundi Franc	BIF	▼	0.00	▼	-0.06	▲	1.0
Cape Verde	Escudo	CVE	▲	1.83	▼	-2.09	▼	-13.6
Comoros	Comoros Franc	KMF	▲	0.44	▼	-0.01	▼	-10.6
Congo. Dem. Rep. of	Congolese Franc	CDF	▼	-1.64	▲	1.00	▼	-11.8
Djibouti	Djibouti Franc	DJF	▼	-0.45	▼	-0.07	▼	-2.4
Egypt	Egyptian Pound	EGP	▼	-0.13	▲	0.04	▼	-3.9
Ethiopia	Birr	ETB	▲	0.06	▼	-0.12	▼	-7.1
Gambia. The	Gambian Dalasi	GMD	▼	-0.63	▼	-0.32	▼	-8.2
Ghana	New Cedi	GHS	▲	0.41	▼	-0.14	▲	0.1
Guinea	Guinea Franc	GNF	▼	-4.52	▼	-3.27	▼	-11.3
Kenya	Kenyan Shilling	KES	▲	0.49	▲	0.25	▼	-6.1
Liberia	Liberian Dollar	LRD	▲	0.00	▲	0.00	▼	-4.1
Libya	Libyan Dinar	LYD	▲	1.26	▼	-1.07	▼	-3.2
Madagascar	Ariary	MGA	▲	6.85	▼	-0.06	▼	-4.1
Malawi	Kwacha	MWK	▲	0.46	▲	0.45	▼	-2.9
Mauritania	Ouguiya	MRO	▼	-0.10	▼	-0.06	▼	-8.4
Mauritius	Mauritius Rupee	MUR	▲	0.44	▼	-1.29	▼	-2.0
Morocco	Dirham	MAD	▲	0.70	▼	-0.73	▼	-8.6
Mozambique	New Metical	MZN	▲	0.54	▲	4.19	▼	-25.3
Nigeria	Naira	NGN	▲	1.04	▼	-0.45	▲	0.2
Rwanda	Rwandan Franc	RWF	▲	0.73	▼	-0.06	▼	-2.5
São Tomé & Príncipe	Dobra	STD	▲	1.16	▼	-1.66	▼	-17.3
Seychelles	Seychelles Rupee	SCR	▲	0.88	▼	-0.33	▼	-10.1
Sierra Leone	Leone	SLL	▼	-1.54	▼	-0.13	▼	-1.9
Somalia	Somali Shilling	SOS	▼	-0.54	▼	-0.06	▼	-7.6
South Africa	Rand	ZAR	▲	0.76	▼	-0.56	▲	1.9
Sudan	Sudanese Pound	SDG	▲	0.13	▼	-0.06	▼	-2.1
Tanzania	Tanzanian Shilling	TZS	▼	-0.09	▲	0.07	▼	-12.0
Tunisia	Tunisian Dinar	TND	▲	0.23	▼	-1.01	▼	-10.5
Uganda	Uganda Shilling	UGX	▼	-0.13	▼	-0.62	▼	-15.5
Zambia	Zambian Kwacha	ZMK	▲	1.33	▼	-1.14	▼	-4.9
CFA zone Countries	CFA Franc	XOF	▲	1.04	▼	-1.04	▼	-10.5
Others								
Europe	Euro	EUR	▲	0.82	▼	-0.93	▼	-10.6
Japan	Yen	JPY	▲	0.46	▲	1.03	▲	9.5

Source: AfDB Statistics Department, September 2010